



6450-01-P

DEPARTMENT OF ENERGY

Bonneville Power Administration

[BPA File No.: BP-16]

Fiscal Year (FY) 2016–2017 Proposed Power and Transmission Rate Adjustments

Public Hearing and Opportunities for Public Review and Comment

AGENCY: Bonneville Power Administration (BPA or Bonneville), Department of Energy (DOE).

ACTIONS: Notice of FY 2016–2017 Proposed Power and Transmission Rate Adjustments.

SUMMARY: BPA is holding a consolidated rate proceeding, Docket No. BP-16, to establish power and transmission rates for FY 2016–2017.

The Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act) provides that BPA must establish and periodically review and revise its rates so that they recover, in accordance with sound business principles, the costs associated with the acquisition, conservation, and transmission of electric power, including amortization of the Federal investment in the Federal Columbia River Power System (FCRPS) over a reasonable number of years, and BPA's other costs and expenses. The Northwest Power Act also requires that BPA's rates be established based on the record of a formal hearing, and for transmission rates only, that the costs of the Federal transmission system be equitably allocated between Federal and non-Federal power utilizing the system. By this notice, BPA announces the commencement of a power and transmission rate adjustment proceeding for power, transmission, control area services, and ancillary services rates to be effective on October 1, 2015.

DATES: Anyone wishing to become a party to the BP-16 proceeding must provide written notice, via U.S. Mail or electronic mail, which must be received by BPA no later than 3:00 p.m. on December 12, 2014.

The BP-16 rate adjustment proceeding begins with a prehearing conference at 9:00 a.m. on December 10, 2014, in the BPA Rates Hearing Room, 1201 NE Lloyd Boulevard, Suite 200, Portland, Oregon 97232.

Written comments by non-party participants must be received by February 26, 2015, to be considered in the Administrator's Record of Decision (ROD).

ADDRESSES:

1. Petitions to intervene should be directed to: Hearing Clerk – L-7, Bonneville Power Administration, 905 NE 11th Avenue, Portland, Oregon 97232, or may be emailed to rateclerk@bpa.gov. In addition, copies of the petition must be served concurrently on BPA's General Counsel and directed to both Mr. Kurt Casad, LP-7, and Mr. Barry Bennett, LT-7, Office of General Counsel, 905 NE 11th Avenue, Portland, Oregon 97232, or via email to krcasad@bpa.gov and bbennett@bpa.gov (see section III.A. for more information regarding interventions).
2. Written comments by participants should be submitted to the Public Engagement Office, DKE-7, Bonneville Power Administration, P.O. Box 14428, Portland, Oregon 97293. Participants may also submit comments by email at: www.bpa.gov/comment. BPA requests that all comments and documents intended to be part of the Official Record in this rate proceeding contain the designation BP-16 in the subject line.

FOR FURTHER INFORMATION CONTACT: Ms. Michelle Whalen, DKC-7, Public Affairs Specialist, Bonneville Power Administration, P.O. Box 3621, Portland, Oregon 97208; by phone toll free at 1-800-622-4520; or via email to mewhalen@bpa.gov.

Responsible Officials: Mr. Raymond D. Bliven, Power Rates Manager, is the official responsible for the development of BPA's power rates, and Ms. Rebecca E. Fredrickson, Transmission Rates Manager, is the official responsible for the development of BPA's transmission, ancillary, and control area services rates.

SUPPLEMENTARY INFORMATION:

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Part I – Introduction and Procedural Background

Section 7(i) of the Northwest Power Act, 16 U.S.C. 839e(i), requires that BPA's rates be established according to certain procedures, including publication in the Federal Register of this notice of the proposed rates; one or more hearings conducted as expeditiously as practicable by a Hearing Officer; opportunity for both oral presentation and written submission of views, data, questions, and arguments related to the proposed rates; and a decision by the Administrator based on the record. BPA's rate proceedings are further governed by BPA's Procedures

Governing Bonneville Power Administration Rate Hearings, 51 Federal Register 7611 (1986), which implement and expand the statutory requirements.

This proceeding is being conducted under the rule for general rate proceedings, section 1010.4 of BPA's Procedures. A proposed schedule for the proceeding is provided below. A final schedule will be established by the Hearing Officer at the prehearing conference.

Prehearing Conference/ BPA Initial Proposal	December 10, 2014
Parties File Petitions to Intervene	December 12, 2014
Clarification	December 17-19, 2014
Motions to Strike	January 13, 2015
Data Request Deadline	January 13, 2015
Answers to Motions to Strike	January 21, 2015
Data Response Deadline	January 21, 2015
Parties file Direct Case	February 4, 2015
Clarification	February 11-13, 2015
Motions to Strike	February 17, 2015
Data Request Deadline	February 17, 2015
Answers to Motions to Strike	February 24, 2015
Data Response Deadline	February 24, 2015
Close of Participant Comments	February 26, 2015
Litigants file Rebuttal	March 16, 2015
Clarification	March 19-20, 2015

Motions to Strike	March 24, 2015
Data Request Deadline	March 24, 2015
Answers to Motions to Strike	March 31, 2015
Data Response Deadline	March 31, 2015
Cross-Examination	April 1-3 and 6-7, 2015
Initial Briefs Filed	May 1, 2015
Oral Argument	May 8, 2015
Draft ROD issued	June 12, 2015
Briefs on Exceptions	July 1, 2015
Final ROD – Final Studies	July 24, 2015

Section 1010.7 of BPA’s Procedures prohibits *ex parte* communications. The *ex parte* rule applies to all BPA and DOE employees and contractors. Except as provided below, any outside communications with BPA and/or DOE personnel regarding the merits of any issue in BPA’s rate proceeding by other Executive Branch agencies, Congress, existing or potential BPA customers (including tribes), or nonprofit or public interest groups are considered outside communications and are subject to the *ex parte* rule. The rule does not apply to communications relating to: (1) matters of procedure only (the status of the rate proceeding, for example); (2) exchanges of data in the course of business or under the Freedom of Information Act; (3) requests for factual information; (4) matters for which BPA is responsible under statutes other than the ratemaking provisions; or (5) matters which all parties agree may be made on an *ex parte* basis. The *ex parte* rule remains in effect until the Administrator’s Final ROD is issued, which is scheduled to occur on or about July 24, 2015.

Part II – Scope of BP-16 Rate Proceeding

A. Joint Rate Proceeding

BPA is holding one power and transmission rate proceeding with one procedural schedule, one record, and one ROD.

B. 2014 Integrated Program Review

BPA began its 2014 Integrated Program Review (IPR) process in May 2014. The IPR process is designed to allow an opportunity to review and comment on BPA's expense and capital spending level estimates before the estimates are used to set rates. On October 2, 2014, BPA issued the Final Close-Out Report for the IPR. In the Final Close-Out Report, BPA established the program level cost estimates that are used in the Initial Proposal to establish both the power and transmission rates.

C. Scope of the Rate Proceeding

This section provides guidance to the Hearing Officer as to those matters that are within the scope of the rate proceeding and those that are outside the scope. In addition to the items listed below, any other issue that is not a rates issue is outside the scope of this proceeding.

1. Program Cost Estimates

Some of the decisions that determine program costs and spending levels have been made in the IPR public review process outside the rate proceeding. See section II.B. BPA's spending levels for investments and expenses are not determined or subject to review in rate proceedings.

Pursuant to section 1010.3(f) of BPA's Procedures, the Administrator directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that challenges the

appropriateness or reasonableness of the Administrator's decisions on cost and spending levels. If any re-examination of spending levels is necessary, such re-examination will occur outside of the rate proceeding. The above exclusion does not extend to those portions of the revenue requirements related to interest rate forecasts, interest expense and credit, Treasury repayment schedules, forecasts of depreciation and amortization expense, forecasts of system replacements used in repayment studies, Residential Exchange Program benefits, purchased power expenses, transmission acquisition expense incurred by Power Services, generation acquisition expense incurred by Transmission Services, minimum required net revenue, use of financial reserves, and the costs of risk mitigation actions resulting from the expense and revenue uncertainties included in the risk analysis. The Administrator also directs the Hearing Officer to exclude argument and evidence regarding BPA's debt management practices and policies. See section II.C.5.

2. Tiered Rate Methodology (TRM)

The TRM restricts BPA and customers with Contract High Water Mark (CHWM) contracts from proposing changes to the TRM's ratesetting guidelines unless certain procedures have been successfully concluded. No proposed changes have been subjected to the required procedures.

Pursuant to § 1010.3(f) of BPA's Procedures, the Administrator hereby directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to propose revisions to the TRM made by BPA, customers with a CHWM contract, or their representatives, unless it can be established that the TRM procedures for proposing a change to the TRM have been concluded. This restriction does not extend to a party or customer that does not have a CHWM contract.

3. Service to the Direct Service Industries (DSIs)

BPA's decisions to serve Alcoa and Port Townsend along with the method and level of service to be provided DSIs in the FY 2016–2017 rate period will not be determined in this proceeding. The decision to serve the DSIs was made in the record of decision on the Alcoa and Port Townsend contracts. The decision was not challenged in the Ninth Circuit Court of Appeals.

Pursuant to § 1010.3(f) of BPA's Procedures, the Administrator directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to revisit the appropriateness or reasonableness of BPA's decisions regarding service to the DSIs, including BPA's decision to offer contracts to the DSIs and the method or level of service.

4. Generation Inputs

BPA provides a portion of the available generation from the FCRPS to enable Transmission Services to meet its various requirements. Transmission Services uses these generation inputs to provide ancillary and control area services.

Pursuant to § 1010.3(f) of BPA's Procedures, the Administrator directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to revisit issues regarding reliability of the transmission system, dispatcher standing orders, e-Tag requirements and definitions, open access transmission tariff (OATT) provisions, and business practices. These non-rates issues are generally addressed by BPA in accordance with industry, reliability, and other compliance standards and criteria and are not matters appropriate for the rate proceeding.

5. Federal and Non-Federal Debt Service and Debt Management

During the 2014 IPR and in other forums, BPA provided the public with background information on BPA's internal Federal and non-Federal debt management policies and practices. While these policies and practices are not decided in the IPR forum, these discussions were intended to inform interested parties about these matters so that they would better understand BPA's debt structure. BPA's debt management policies and practices remain outside the scope of the rate proceeding.

Pursuant to § 1010.3(f) of BPA's Procedures, the Administrator hereby directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to address the appropriateness or reasonableness of BPA's debt management policies and practices. This exclusion does not encompass how debt management actions are reflected in ratemaking.

6. Potential Environmental Impacts

Environmental impacts are addressed in a concurrent National Environmental Policy Act (NEPA) process. See section II.D.

Pursuant to § 1010.3(f) of BPA's Procedures, the Administrator directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to address the potential environmental impacts of the rates being developed in this rate proceeding.

7. 2008 Average System Cost Methodology (2008 ASCM) and Average System Cost Determinations

Section 5(c) of the Northwest Power Act established the Residential Exchange Program, which provides benefits to residential and farm consumers of Pacific Northwest utilities based, in

part, on a utility's "average system cost" (ASC) of resources. On September 4, 2009, the Federal Energy Regulatory Commission (Commission) granted final approval of BPA's 2008 ASCM.

The 2008 ASCM is not subject to challenge or review in a section 7(i) proceeding.

Determinations of the ASCs of participating utilities are made in separate processes conducted pursuant to the ASCM. Those processes began with ASC filings on June 2, 2014, and are continuing through July 2015. The determinations of ASCs are not subject to challenge or review in a section 7(i) proceeding.

Pursuant to § 1010.3(f) of BPA's Procedures, the Administrator hereby directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to visit or revisit the appropriateness or reasonableness of the 2008 ASCM or that seeks in any way to visit or revisit the appropriateness or reasonableness of any of the ongoing ASC determinations.

8. Rate Period High Water Mark (RHWM) Process

Under the Tiered Rate Methodology (TRM), BPA has established FY 2016–2017 RHWMs for Public customers that signed contracts for firm requirements power service providing for tiered rates, referred to as CHWM contracts. In this RHWM Process, which preceded the BP-16 rate proceeding, BPA established the maximum planned amount of power a customer is eligible to purchase at Tier 1 rates during the rate period, the Above-RHWM Loads for each customer, the System Shaped Load for each customer, the Tier 1 System Firm Critical Output, RHWM Augmentation, the Rate Period Tier 1 System Capability (RT1SC), and the monthly/diurnal shape of RT1SC. The RHWM Process provided customers an opportunity to review, comment, and, if necessary, challenge BPA's RHWM determinations.

Pursuant to § 1010.3(f) of BPA's Procedures, the Administrator hereby directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to visit or revisit BPA's determination of a customer's FY 2016–2017 RHW or other RHW Process determinations.

9. 2012 Residential Exchange Program Settlement Agreement (2012 REP Settlement)

On July 26, 2011, the Administrator executed the 2012 REP Settlement resolving longstanding litigation over BPA's implementation of the Residential Exchange Program (REP) under section 5(c) of the Northwest Power Act, 16 U.S.C. 839c(c). The Administrator's findings regarding the legal, factual, and policy challenges to the 2012 REP Settlement are thoroughly explained in the REP-12 Record of Decision (REP-12 ROD). The 2012 REP Settlement and REP-12 ROD were approved by U.S. Court of Appeals for the Ninth Circuit in *Association of Public Agency Customers v. Bonneville Power Administration*, 733 F.3d 939 (9th Cir. 2013).

Because the 2012 REP Settlement was part of the REP-12 ROD, and approved by the Court, challenges to BPA's decision to adopt the 2012 REP Settlement and implement its terms in BPA's rate proceedings are not within the scope of this proceeding. Pursuant to § 1010.3(f) of BPA's Procedures, the Administrator hereby directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to visit or revisit BPA's determination to adopt the 2012 REP Settlement or its terms in this rate proceeding.

10. Transfer Service for Southeast Idaho Load Service

Because of the termination of grandfathered contracts, BPA is developing a new transmission service plan for its preference customers located in Southeast Idaho. The cost allocation issue related to this plan is an appropriate issue in this rate proceeding. However, all

decisions regarding the development of the new plan of service itself are outside the scope of the rate proceeding.

Pursuant to § 1010.3(f) of BPA's Procedures, the Administrator directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to visit or revisit BPA's strategy or acquisition decisions for Southeast Idaho Load Service.

D. The National Environmental Policy Act (NEPA)

BPA is in the process of assessing the potential environmental effects of its proposed power and transmission rates, consistent with NEPA. The NEPA process is conducted separately from the rate proceeding. As discussed in section II.C.6., all evidence and argument addressing potential environmental impacts of rates being developed in the BP-16 rate proceeding are excluded from the rate proceeding hearing record. Instead, comments on environmental effects should be directed to the NEPA process.

Because this proposal involves BPA's ongoing business practices related to rates, BPA is reviewing the proposal for consistency with BPA's Business Plan Environmental Impact Statement (Business Plan EIS), completed in June 1995 (BOE/EIS-0183). This policy-level EIS evaluates the environmental impacts of a range of business plan alternatives for BPA that could be varied by applying various policy modules, including one for rates. Any combination of alternative policy modules should allow BPA to balance its costs and revenues. The Business Plan EIS also includes response strategies, such as adjustments to rates, that BPA could implement if BPA's costs exceed its revenues.

In August 1995, the BPA Administrator issued a ROD (Business Plan ROD) that adopted the Market-Driven Alternative from the Business Plan EIS. This alternative was selected

because, among other reasons, it allows BPA to: (1) recover costs through rates; (2) competitively market BPA's products and services; (3) develop rates that meet customer needs for clarity and simplicity; (4) continue to meet BPA's legal mandates; and (5) avoid adverse environmental impacts. BPA also committed to apply as many response strategies as necessary when BPA's costs and revenues do not balance.

In April 2007, BPA completed and issued a Supplement Analysis to the Business Plan EIS. This Supplement Analysis found that the Business Plan EIS's relationship-based and policy-level analysis of potential environmental impacts from BPA's business practices remains valid, and that BPA's current business practices remain consistent with BPA's Market-Driven Alternative approach. The Business Plan EIS and ROD thus continue to provide a sound basis for making determinations under NEPA concerning BPA's policy-level decisions, including rates.

Because the proposed rates likely would assist BPA in accomplishing the goals identified in the Business Plan ROD, the proposal appears consistent with these aspects of the Market-Driven Alternative. In addition, this rate proposal is similar to the type of rate designs evaluated in the Business Plan EIS; thus, implementation of this rate proposal would not be expected to result in environmental impacts significantly different from those examined in the Business Plan EIS. Therefore, BPA expects that this rate proposal will likely fall within the scope of the Market-Driven Alternative that was evaluated in the Business Plan EIS and adopted in the Business Plan ROD.

As part of the Administrator's ROD that will be prepared for the BP-16 rate proceeding, BPA may tier its decision under NEPA to the Business Plan ROD. However, depending upon

the ongoing environmental review, BPA may instead issue another appropriate NEPA document. Comments regarding the potential environmental effects of the proposal may be submitted to Katherine Pierce, NEPA Compliance Officer, KEC-4, Bonneville Power Administration, 905 NE 11th Avenue, Portland, OR 97232. Any such comments received by the comment deadline for Participant Comments identified in section III.A. below will be considered by BPA's NEPA compliance staff in the NEPA process that will be conducted for this proposal.

Part III – Public Participation in BP-16

A. Distinguishing Between “Participants” and “Parties”

BPA distinguishes between “participants in” and “parties to” the hearings. Separate from the formal hearing process, BPA will receive written comments, views, opinions, and information from participants, who may submit comments without being subject to the duties of, or having the privileges of, parties. Participants’ written comments will be made part of the official record and considered by the Administrator. Participants are not entitled to participate in the prehearing conference; may not cross-examine parties’ witnesses, seek discovery, or serve or be served with documents; and are not subject to the same procedural requirements as parties. BPA customers whose rates are subject to this proceeding, or their affiliated customer groups, may not submit participant comments. Members or employees of organizations that have intervened in the rate proceeding may submit participant comments as private individuals (that is, not speaking for their organizations) but may not use the comment procedures to address specific issues raised by their intervenor organizations.

Written comments by participants will be included in the record if they are received by February 26, 2015. Written views, supporting information, questions, and arguments should be submitted to the address listed in the “ADDRESSES” section of this notice.

Entities or persons become parties to the proceeding by filing petitions to intervene, which must state the name and address of the entity or person requesting party status and the entity’s or person’s interest in the hearing. BPA customers and affiliated customer groups will be granted intervention based on petitions filed in conformance with BPA’s Procedures. Other petitioners must explain their interests in sufficient detail to permit the Hearing Officer to determine whether the petitioners have a relevant interest in the hearing. Pursuant to Rule 1010.1(d) of BPA’s Procedures, BPA waives the requirement in Rule 1010.4(d) that an opposition to an intervention petition be filed and served 24 hours before the prehearing conference. The time limit for opposing a timely intervention will be established at the prehearing conference. Any party, including BPA, may oppose a petition for intervention. All petitions will be ruled on by the Hearing Officer. Late interventions are strongly disfavored. Opposition to an untimely petition to intervene must be filed and received by BPA within two days after service of the petition.

B. Developing the Record

The hearing record will include, among other things, the transcripts of the hearing, written evidence and argument entered into the record by BPA and the parties, written comments from participants, and other material accepted into the record by the Hearing Officer. The Hearing Officer will review the record and certify the record to the Administrator for final decision.

The Administrator will develop final rates based on the record and such other materials and information as may have been submitted to or developed by the Administrator. The Administrator will serve copies of the Final ROD on all parties. BPA will file its rates with the Commission for confirmation and approval after issuance of the Final ROD.

Part IV – Summary of Rate Proposals

A. Summary of the Power Rate Proposal

1. Power Rates

BPA is proposing four different rates for Federal power sales and services. The General Transfer Agreement Service (GTA) rate schedule, currently included as a power rate schedule, is being moved to the General Rate Schedule Provisions. The proposed GTA charges are expanded to recover Western Electricity Coordinating Council (WECC) and Peak Reliability (Peak) costs BPA incurs based on transfer customer loads outside of the BPA balancing authority area.

Priority Firm Power Rate (PF-16) – The PF rate schedule applies to net requirements power sales to public body, cooperative, and Federal agency customers made pursuant to section 5(b) of the Northwest Power Act and includes the PF Public rates for the sale of firm requirements power under CHWM Contracts and the PF Exchange rates for sales under Residential Purchase and Sale Agreements. The PF Public rate applies to customers taking load following or Slice/block service. Consistent with the TRM, Tier 1 rates include three charges: (1) customer charges; (2) a demand charge; and (3) a load shaping charge. In addition, four Tier 2 rates, corresponding to contract options, are applied to customers that have elected to purchase power from BPA for service to their Above-RHWM Load.

The PF rate is a collection of rates charged on the basis of percentage of cost responsibility, marginal changes in demand and energy usage, customer purchase elections for BPA service to loads in excess of power purchased at Tier 1 rates, product and service choices, transfer load delivery and operating reserves, and applicability of rate discounts. Very few of BPA's customers have exactly the same mix of PF rate components in common. Therefore, BPA has developed a quantification of the PF rate that measures the impact on an average customer purchasing at Tier 1 rates. This quantification, the Tier 1 Average Net Cost, is increasing 6.7 percent in this proposal, from \$31.50/MWh for the PF-14 rate to \$33.60/MWh for the PF-16 rate.

The Base PF Exchange rate and its associated surcharges apply to the sale of power to regional utilities that participate in the REP established under section 5(c) of the Northwest Power Act. 16 U.S.C. § 839c(c). The Base PF Exchange rate establishes the threshold for participation in the REP; only utilities with ASCs above the appropriate Base PF Exchange rate may receive REP benefits. If a utility meets the threshold, a utility-specific PF Exchange rate will be established in this proceeding for each eligible utility. The utility-specific PF Exchange rate is used in calculating the REP benefits each participant will receive during FY 2016–2017.

In addition, the proposed PF-16 rate schedule includes rates for customers with non-Federal resources that have elected to take Diurnal Flattening Service or Secondary Crediting Service, and a melded PF rate for any Public customer that elects a power sales contract other than a CHWM Contract for firm requirements service.

New Resource Firm Power Rate (NR-16) – The NR-16 rate applies to net requirements power sales to investor-owned utilities (IOUs) made pursuant to section 5(b) of the Northwest

Power Act for resale to ultimate consumers, direct consumption, construction, testing and start-up, and station service. The NR-16 rate is also applied to sales of firm power to Public customers when this power is used to serve new large single loads. In addition, BPA is proposing NR rates for services to support Public customers serving new large single loads with non-Federal resources. In the Initial Proposal BPA is forecasting no sales at the NR rate. The average NR-16 rate in the Initial Proposal is \$76.60/MWh, a decrease of 1.4 percent from the NR-14 rate.

Industrial Firm Power Rate (IP-16) – The IP rate is applicable to firm power sales to DSI customers authorized by section 5(d)(1)(A) of the Northwest Power Act. 16 U.S.C § 839c(d)(1)(A). In the Initial Proposal BPA is forecasting annual sales of 316 average megawatts (aMW) to DSIs. See section IV.A.2c. The average IP-16 rate in the Initial Proposal is \$41.53/MWh, an increase of 6.6 percent over the IP-14 rate.

Firm Power and Surplus Products and Services Rate (FPS-16) – The FPS rate schedule is applicable to sales of various surplus power products and surplus transmission capacity, for use inside and outside the Pacific Northwest. The rates for these products are negotiated between BPA and the purchasers. In addition, the FPS-16 rate schedule includes rates for customers with non-Federal resources, the Unanticipated Load Service rate, rates for other capacity, energy, and scheduling products and services, and rates for reserve services for use outside the BPA balancing authority area.

2. Ancillary Service and Control Area Service Rates

Beginning in May 2014, BPA held rate case workshops and solicited stakeholder comments concerning generation inputs issues that form the foundation of most ancillary service

and control area service rates. Over the following months, BPA and stakeholders developed a settlement agreement that covers most ancillary and control area service rates. The settlement agreement rates are at the same level as current rates except for a five percent increase for the Operating Reserves rates. The settlement agreement also provides for other changes to the rate schedules, and specifies the amount of balancing reserve capacity to be provided during the rate period as well as an acquisition budget for balancing reserve capacity.

BPA asked all entities that intended to be parties to the BP-16 rate proceeding to either sign the agreement or declare their intention to contest the agreement by September 25, 2014. By that deadline, 29 parties signed or agreed not to contest the settlement agreement. No party declared an intent to contest the agreement.

BPA will file the BP-16 generation inputs settlement agreement as part of the BP-16 Initial Proposal. Parties will be given an opportunity to contest the agreement pursuant to a timeline established by the Hearing Officer.

3. Risk Mitigation Tools

The main financial risk mitigation tool BPA relies upon is financial liquidity, which consists of cash, other investments in the Bonneville Fund at the U.S. Treasury, and a short-term liquidity facility with the U.S. Treasury. BPA proposes to include provisions for two rate adjustments in the power rate schedules and in certain ancillary and control area services rate schedules: the Cost Recovery Adjustment Clause (CRAC), which can generate additional cash within the rate period, and the Dividend Distribution Clause (DDC), which can return cash to customers when BPA's financial reserves attributed to power are larger than needed to meet its Treasury Payment Probability (TPP) standard. When available liquidity and the CRAC are

insufficient to meet the TPP standard, BPA includes Planned Net Revenues for Risk (PNRR) in its rates.

In the Initial Proposal, BPA proposes to include no PNRR and to cap the maximum revenue recoverable through the CRAC at \$300 million per year. BPA is proposing some minor changes to the risk mitigation tools in the BP-16 Initial Proposal, including a revision to the metric used to determine whether a CRAC or DDC triggers. The thresholds for triggering the CRAC and DDC remain unchanged from the BP-14 rate case (equivalent reserve levels of \$0 and \$750 million, respectively, in financial reserves attributed to Power). BPA also proposes to continue the National Marine Fisheries Service FCRPS Biological Opinion Adjustment (NFB Adjustment) and the Emergency NFB Surcharge, given that litigation regarding the Biological Opinion continues.

B. Summary of the Transmission Rate Proposal

BPA is proposing an overall 5.6 percent increase in transmission rates. BPA is also proposing to develop a WECC and Peak rate.

BPA is proposing four different rates for the use of its Network segment, four different rates for use of intertie segments, and several other rates for various purposes.

The four rates for use of the Network segment are:

Formula Power Transmission Rate (FPT-16) – The FPT rate is based on the cost of using specific types of facilities, including a distance component for the use of transmission lines, and is charged on a contract demand basis.

Integration of Resources Rate (IR-16) – The IR rate is a postage stamp, contract demand rate for the use of the Network, similar to Point-to-Point (PTP) service (see below), and includes Scheduling, System Control, and Dispatch Service.

Network Integration Transmission Rate (NT-16) – The NT rate applies to customers taking network integration service under the Open Access Transmission Tariff (OATT) and allows customers to flexibly serve their retail load.

Point-to-Point Rate (PTP-16) – The PTP rate is a contract demand rate that applies to customers taking Point-to-Point service on BPA's network facilities under the OATT. It provides customers with flexible service from identified Points of Receipt to identified Points of Delivery. There are separate PTP rates for long-term firm service; daily firm and non-firm service; and hourly firm and non-firm service.

BPA is proposing four rates for intertie use:

The Southern Intertie Rate (IS-16) is a contract demand rate that applies to customers taking Point-to-Point service under the OATT on the Southern Intertie.

The Montana Intertie Rate (IM-16) applies to customers taking Point-to-Point service on the Eastern Intertie.

The Townsend-Garrison Transmission Rate (TGT-16) is a rate for firm service over BPA's section of the Montana Intertie and is available to parties to the Montana Intertie Agreement.

The Eastern Intertie Rate (IE-16) is a rate for non-firm service on the portion of the Eastern Intertie capacity that exceeds BPA's firm transmission rights and is available to parties to the Montana Intertie Agreement.

Other proposed transmission rates are:

The Use-of-Facilities Rate (UFT-16) establishes a formula rate for the use of a specific facility based on the annual cost of that facility.

The Advance Funding Rate (AF-16) allows BPA to collect the capital and related costs of specific facilities through an advance-funding mechanism.

The Scheduling, System Control, and Dispatch Service Rate and the Reactive Supply and Voltage Control from Generation Sources Service Rate are for required ancillary services for transmission service on the Network, the Southern Intertie, and the Montana Intertie.

The WECC and Peak rates recover WECC and Peak costs assessed to BPA to cover WECC and Peak reliability functions.

The Oversupply Rate (OS-16) recovers the costs BPA incurs to displace generation under the oversupply management protocol, Attachment P to BPA's OATT.

Other charges that may apply include a Delivery Charge for the use of low-voltage delivery substations; a Reservation Fee for customers that postpone their service commencement dates; incremental rates for transmission requests that require new facilities; a penalty charge for failure to comply with dispatch, curtailment, redispatch, or load shedding orders; and an

Unauthorized Increase Charge for customers that exceed their contracted amounts. BPA is proposing to eliminate the Power Factor Penalty Charge.

Part V – Proposed BP-16 Rate Schedules

BPA's proposed BP-16 Power Rate Schedules and Transmission Rate Schedules are a part of this notice and are available for viewing and downloading on BPA's Web site at <http://www.bpa.gov/goto/BP16>. Copies of the proposed rate schedules also are available for viewing in BPA's Public Reference Room at the BPA Headquarters, 1st Floor, 905 NE 11th Avenue, Portland, OR 97232.

Issued this 19th day of November, 2014.

Elliot E. Mainzer,
Administrator and Chief Executive Officer.

[FR Doc. 2014-28463 Filed 12/03/2014 at 8:45 am; Publication Date: 12/04/2014]